

Amway: Shining Up a Tarnished Name

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Amway seller Cross, at home with products, has spent \$700 so far this year Jason Fest

In 1999, Amway jettisoned its famous name in North America to become Quixtar. That gave the company, dogged by accusations of being a pyramid scheme, a fresh identity. Quixtar seemed to evoke dot-com energy rather than images of people hawking laundry soap to neighbors—and then persuading those neighbors to do the same. But it didn't take. Sales stagnated. Many thought Amway had just died.

Now, the Ada (Mich.) company is phasing out Quixtar to bring back its old name. It recently launched a national ad campaign to trumpet the return of Amway. Celebrities such as actress Sandra Bullock and Brazilian soccer star Ronaldinho have been hired to foster goodwill about its products, which range from sports drinks to moisturizer. The company acknowledges that, in hindsight, dropping Amway was a mistake. Almost a decade later, it remains what company spokeswoman Beth Dornan calls "virtually a household name."

The challenge is to reframe what consumers think Amway is all about. Dornan says people "have dated and incorrect perceptions about the company." Specifically, critics take issue with its business model. Amway sells its products through independent distributors who can shell out hundreds of dollars for fees, sales kits, and products they hope to resell. They get their own sales revenue and a bonus for the sales of people they recruit. The result, says former high-level distributor Eric Scheibeler, an outspoken critic, is that many people lose money, drop out, and get replaced by a fresh crop of "unknowing consumers—most all of whom will also invest at a loss."

While Dornan says the model is legal and offers "the most compelling" opportunity in the direct-selling industry, it continues to draw controversy. In May, a U.K. court struck down a claim by British regulators that Amway promises unattainable profits. And the self-described "multilevel marketer" is involved in legal disputes with some former distributors over its practices.

So why go back to the Amway brand? For one thing, the company uses the name in overseas markets including Asia, which made up two-thirds of its \$6.8 billion in sales last year. (North American sales are stagnant at \$1 billion, but the privately held company doesn't disclose further financial results.) It claims to have the world's best-selling nutritional supplements (its Nutrilite brand, at \$3.1 billion a year). Martin Bishop, a brand strategist at Landor Associates, supports using the old name, noting that "they will always have reputation-management issues, no matter what the brand is."

In a nod to such issues, the company has set up an accreditation program for big sellers, to help root out those who lure recruits by promising unrealistic returns. Amway terminated contracts with 15 distributors last year for allegedly pushing more training materials than products. Both sides are now locked in a legal battle over, among other things, charges of unfair competition. Amway denies wrongdoing, but says it doesn't comment on ongoing litigation.

Many of Amway's several hundred thousand North American sellers—the company won't give specifics—don't care what it's called as long as they make money. "There will always be knuckleheads who will say anything to sign people up," concedes part-time seller Cathy Cross, 50, of Ft. Wayne, Ind. She's glad to see an ad campaign backing up the brand: "They do the hard work while I'm out making new friends." Cross says she's spent \$700 on products and marketing materials this year, just less than what she's earned in sales and bonuses. (She doesn't expect to take home profits until 2011.) "Everyone has to invest in their own business initially to make it grow."

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